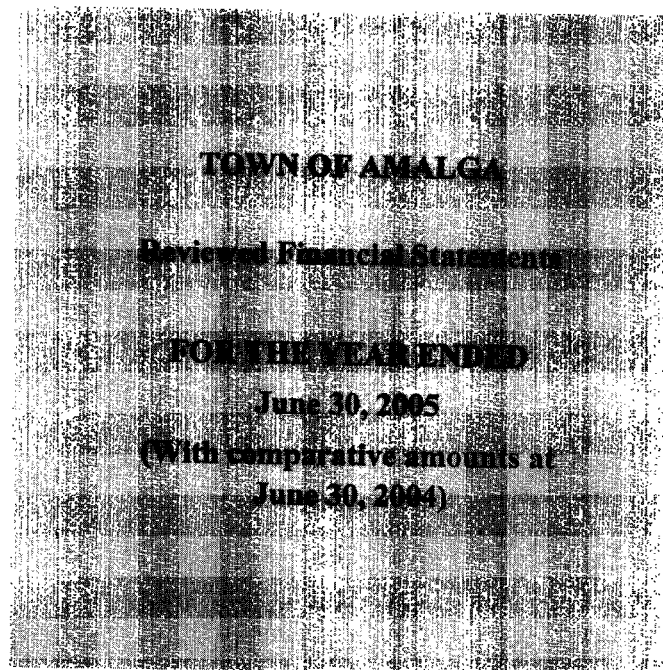




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INTRODUCTORY SECTION

AMALGA TOWN

Amalga, Utah

December 19, 2005

Amalga Town Council
Amalga, Utah

Council:

It is with great pleasure that the financial statements for the Town of Amalga for the year ended June 30, 2005, are presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

This report consists of management's representations concerning the finances of the Town of Amalga. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor David Wood
Town of Amalga

FINANCIAL SECTION

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Peterson
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Jackson

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Business Consultants

INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Town Council
Town of Amalga
Amalga, Utah

We have reviewed the accompanying financial statements of the Town of Amalga as of and for the year ended June 30, 2005, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Amalga.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying Management's Discussion and Analysis on pages 8-12, is not a required part of the basic financial statements but is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to it.

Peterson Allred Jackson

December 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Amalga, we offer readers of the Town of Amalga's financial statements this narrative overview and analysis of the financial activities of the Town of Amalga for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The total net assets of \$1,410,371 is made up of \$798,014 in capital assets net of related debt and \$612,357 in other net assets.
- Total long-term liabilities of the Town were reduced by \$31,909.
- Total net assets of the water fund increased \$21,947.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Amalga's basic financial statements. The Town of Amalga's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Amalga is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Amalga that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 14 & 15 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Amalga also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund.

- Proprietary funds - The Town of Amalga maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Amalga uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Amalga, assets exceed liabilities by \$1,410,371.

By far the largest portion of the Town of Amalga's net assets (57%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004
Current and other assets	\$ 402,666	\$ 343,621	\$ 231,127	\$ 228,041
Capital assets	255,800	268,953	1,543,453	1,555,288
Total assets	<u>658,466</u>	<u>612,574</u>	<u>1,774,580</u>	<u>1,783,329</u>
Long-term debt outstanding	26,657	30,426	974,582	1,002,722
Other liabilities	20,728	22,952	708	3,264
Total liabilities	<u>47,385</u>	<u>53,378</u>	<u>975,290</u>	<u>1,005,986</u>
Net assets:				
Invested in capital assets, net of debt	229,143	238,527	568,871	552,566
Restricted	284,626	244,933	62,337	52,367
Unrestricted	97,312	75,736	168,082	172,410
Total net assets	<u>\$ 611,081</u>	<u>\$ 559,196</u>	<u>\$ 799,290</u>	<u>\$ 777,343</u>
CHANGES IN NET ASSETS	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004
Revenues:				
Program revenues:				
Charges for services	\$ 41,518	\$ 41,993	\$ 95,420	\$ 90,111
Operating grants & contributions	856	8,594	-	-
Capital grants & contributions	28,879	38,635	-	-
General revenues:				
Property taxes	14,589	14,149	-	-
Other taxes	41,984	33,095	-	-
Business licenses	883	10	-	-
Investment income	9,442	5,671	473	290
Total revenues	<u>138,151</u>	<u>142,147</u>	<u>95,893</u>	<u>90,401</u>
Expense:				
General government	15,542	16,368	-	-
Planning & zoning	344	1,155	-	-
Public safety	6,893	4,257	-	-
Highway/public improvements	14,060	16,039	-	-
Sanitation & health	29,944	33,531	-	-
Parks & recreation	17,968	16,346	-	-
Debt services	1,515	1,696	-	-
Water	-	-	73,946	75,206
Total expenses	<u>86,266</u>	<u>89,392</u>	<u>73,946</u>	<u>75,206</u>
Increase (decrease) in net assets	51,885	52,755	21,947	15,195
Net assets, beginning of year	559,196	506,441	777,343	762,148
Net assets, end of year	<u>\$ 611,081</u>	<u>\$ 559,196</u>	<u>\$ 799,290</u>	<u>\$ 777,343</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of June 30, 2005, the Town's governmental funds reported a fund balance of \$381,938. This represents an increase of \$61,269 (19%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 44% of total general fund revenues. The largest element is sales tax as it has been for the last several years. It represents 33% of total general fund revenues. This compares to 24% for the year ending June 20, 2004.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in restricted resources for B&C road of \$30,532.

Significant changes in business-type activities include a \$28,140 decrease in debt due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget and final budget had an expenditure total of \$113,850.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The Town of Amalga's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$1,799,253 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was 1% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

- \$31,373 for water improvements.
- \$2,377 for park improvements
- \$3,259 for Town Hall equipment.

TOWN OF AMALGA'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land	\$ 51,126	\$ 5,000
Buildings and improvements	165,710	—
Improvements other than buildings	—	1,945,248
Infrastructure	321,176	—
Machinery & equipment	60,643	—
Less: Accumulated depreciation	<u>(342,855)</u>	<u>(406,795)</u>
Total	<u>\$ 255,800</u>	<u>\$ 1,543,453</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2005, the Town had total bonded debt outstanding of \$1,001,239. Of this amount \$974,582 is debt which is secured solely by specific revenue sources (i.e., revenue bonds), and \$26,657 which is secured by the Town of Amalga.

TOWN OF AMALGA'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
Revenue bonds	\$ —	\$ 974,582
General obligation bonds	<u>26,657</u>	<u>—</u>
Total outstanding debt	<u>\$ 26,657</u>	<u>\$ 974,582</u>

The Town's total debt decreased by \$31,909 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

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TOWN OF AMALGA
STATEMENT OF NET ASSETS
JUNE 30, 2005
(with comparative amounts for June 30, 2004)

ASSETS	Governmental Activities	Business-type Activities	2005 Total	2004 Total
Cash	\$ 76,836	\$ 96,400	\$ 173,236	\$ 159,561
Account receivable	19,819	69,621	89,440	89,910
Taxes receivable	18,616	-	18,616	19,715
Prepaid expenses	2,769	2,769	5,538	5,176
Restricted cash	278,699	62,337	341,036	287,671
Restricted taxes receivable	5,927	-	5,927	9,629
Capital assets				
Land	51,126	5,000	56,126	56,126
Buildings and improvements	165,710	-	165,710	163,333
Improvements other than buildings	-	1,945,248	1,945,248	1,893,160
Infrastructure	321,176	-	321,176	321,176
Machinery & equipment	60,643	-	60,643	57,384
Construction in progress	-	-	-	20,715
Less: Accumulated Depreciation	(342,855)	(406,795)	(749,650)	(687,653)
Total assets	<u>\$ 658,466</u>	<u>\$ 1,774,580</u>	<u>\$ 2,433,046</u>	<u>\$ 2,395,903</u>
LIABILITIES				
Accounts payable	5,247	15	5,262	10,291
Accrued expenses	481	693	1,174	925
Bonds payable:				
Due within one year	3,951	43,259	47,210	31,906
Due in more than one year	22,706	931,323	954,029	1,001,242
Deferred revenue	15,000	-	15,000	15,000
Total liabilities	<u>47,385</u>	<u>975,290</u>	<u>1,022,675</u>	<u>1,059,364</u>
NET ASSETS				
Invested in capital assets, net of related debt	229,143	568,871	798,014	791,093
Restricted for:				
Debt service	-	62,337	62,337	52,367
Road improvements	102,802	-	102,802	72,270
Capital projects	181,824	-	181,824	172,663
Unrestricted	97,312	168,082	265,394	248,146
Total Net Assets	<u>\$ 611,081</u>	<u>\$ 799,290</u>	<u>\$ 1,410,371</u>	<u>\$ 1,336,539</u>

See accompanying notes and accountant's report.

TOWN OF AMALGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
(with comparative amounts for June 30, 2004)

	Program Revenues					Business-type Activities	2005 Total	2004 Total
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities			
Governmental activities:								
General government	\$ 15,542	\$ 6,056	\$ -	\$ -	\$ (9,486)	\$ -	\$ (9,486)	\$ (9,547)
Planning & zoning	344	160	-	-	(184)	-	(184)	578
Public safety	6,893	3,480	138	-	(3,275)	-	(3,275)	(1,062)
Highways & public improvements	14,060	-	-	28,879	14,819	-	14,819	22,596
Sanitation & health	29,944	29,500	-	-	(444)	-	(444)	(5,430)
Parks & recreation	17,968	2,322	718	-	(14,928)	-	(14,928)	(5,609)
Debt service	1,515	-	-	-	(1,515)	-	(1,515)	(1,696)
Total governmental activities	86,266	41,518	856	28,879	(15,013)	-	(15,013)	(170)
Business-type activities:								
Water	73,946	95,420	-	-	-	21,474	21,474	14,905
Total business-type activities	73,946	95,420	-	-	-	21,474	21,474	14,905

General Revenues:

Taxes:

Property taxes levied for general purposes

General sales taxes

Other taxes

Investment income

Business licenses

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

	14,589	-	14,589	14,149
	41,984	-	41,984	32,476
	-	-	-	619
	9,442	473	9,915	5,961
	883	-	883	10
	66,898	473	67,371	53,215
	51,885	21,947	73,832	67,950
	559,196	777,343	1,336,539	1,268,589
	\$ 611,081	\$ 799,290	\$ 1,410,371	\$ 1,336,539

See accompanying notes and accountant's report.

TOWN OF AMALGA
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2005
(with comparative amounts for June 30, 2004)

	General Fund	Capital Projects Fund	2005 Total Governmental Funds	2004 Total Governmental Funds
ASSETS				
Cash	\$ 76,836	\$ -	\$ 76,836	\$ 53,823
Accounts receivable	19,819	-	19,819	22,562
Taxes receivable	18,616	-	18,616	19,715
Prepaid expenses	2,769	-	2,769	2,588
Restricted assets:				
Cash	96,875	181,824	278,699	235,304
Taxes receivable	5,927	-	5,927	9,629
Total assets	<u>\$ 220,842</u>	<u>\$ 181,824</u>	<u>\$ 402,666</u>	<u>\$ 343,621</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 5,247	\$ -	\$ 5,247	\$ 7,788
Accrued expenses	481	-	481	164
Deferred revenue	15,000	-	15,000	15,000
Total liabilities	<u>20,728</u>	<u>-</u>	<u>20,728</u>	<u>22,952</u>

Fund Balance:

Reserved for roads	102,802	-	102,802	72,270
Reserved for capital projects	-	181,824	181,824	172,663
Unreserved - undesignated	97,312	-	97,312	75,736
Total fund balance	<u>200,114</u>	<u>181,824</u>	<u>381,938</u>	<u>320,669</u>

Total liabilities and fund balance	<u>\$ 220,842</u>	<u>\$ 181,824</u>		
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Bonds payable are not due and payable in the current period, and therefore are not reported in the funds.

	229,143	238,527
Net assets reconciled to the Statement of Activities	<u>\$ 611,081</u>	<u>\$ 559,196</u>

See accompanying notes and accountant's report.

**TOWN OF AMALGA
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
(with comparative amounts at June 30, 2004)**

	General Fund	Capital Projects Fund	2005 Total Governmental Funds	2004 Total Governmental Funds
Revenues:				
Taxes & special assessments	\$ 56,573	\$ -	\$ 56,573	\$ 47,244
Licenses and permits	1,043	-	1,043	1,743
Intergovernmental	29,735	-	29,735	47,229
Charges for services	35,302	-	35,302	33,439
Fines & forfeitures	6,056	-	6,056	5,472
Miscellaneous	281	9,161	9,442	7,020
Total revenues	128,990	9,161	138,151	142,147
Expenditures:				
Current:				
General government	13,848	-	13,848	14,871
Planning & zoning	344	-	344	1,155
Public safety	6,893	-	6,893	4,257
Highways & public improvements	6,031	-	6,031	8,010
Sanitation & health	29,944	-	29,944	33,531
Parks & recreation	14,538	-	14,538	11,543
Debt service	5,284	-	5,284	5,284
Total expenditures	76,882	-	76,882	78,651
Excess of revenues over expenditures	52,108	9,161	61,269	63,496
Other financing sources:				
Transfers (to) from other funds	-	-	-	-
Excess of revenues over expenditures	52,108	9,161	61,269	63,496
Fund balances, beginning of year	148,006	172,663	320,669	257,173
Fund balances, end of year	\$ 200,114	\$ 181,824	\$ 381,938	\$ 320,669

See accompanying notes and accountant's report.

TOWN OF AMALGA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005
(with comparative amounts for June 30, 2004)

	2005	2005
Net change in fund balances - total governmental funds	\$ 61,269	\$ 63,496
<p>Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(13,153)	(14,329)
Governmental funds report debt service payments of long-term debt as an expense instead of a reduction to a liability. This is the amount of principal payments during the year.	<u>3,769</u>	<u>3,588</u>
Change in net assets of governmental activities	<u>\$ 51,885</u>	<u>\$ 52,755</u>

**TOWN OF AMALGA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 14,000	\$ 14,000	\$ 14,589	\$ 589
Sales tax	35,000	35,000	41,984	6,984
Total taxes	49,000	49,000	56,573	7,573
Licenses & permits:				
Building permits/business licenses	450	450	883	433
Animal licenses	900	900	160	(740)
Total licenses & permits	1,350	1,350	1,043	(307)
Intergovernmental revenues:				
Class C road funds	32,000	32,000	28,879	(3,121)
Liquor allotment	150	150	138	(12)
State/local grants	7,000	7,000	718	(6,282)
Total intergovernmental revenues	39,150	39,150	29,735	(9,415)
Charges for services:				
Parks & recreation	3,000	3,000	2,322	(678)
Service area	32,000	32,000	32,980	980
Total charges for services	35,000	35,000	35,302	302
Fines & forfeitures	4,000	4,000	6,056	2,056
Miscellaneous:				
Interest and other	500	500	281	(219)
Total Miscellaneous	500	500	281	(219)
Total Revenues	<u>\$ 129,000</u>	<u>\$ 129,000</u>	<u>\$ 128,990</u>	<u>\$ (10)</u>

See accompanying notes and accountant's report.

**TOWN OF AMALGA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES				
General government:				
Administration	\$ 17,000	\$ 17,000	\$ 13,848	\$ 3,152
Total general government	17,000	17,000	13,848	3,152
Planning & zoning				
Professional services/supplies	1,400	1,400	344	1,056
Total planning & zoning	1,400	1,400	344	1,056
Public safety:				
Police	5,000	5,000	3,422	1,578
Fire	3,000	3,000	2,972	28
Other	1,000	1,000	499	501
Total public safety	9,000	9,000	6,893	2,107
Highways & public improvements:				
Streets & highways	17,000	17,000	6,031	10,969
Total highways & public improvements	17,000	17,000	6,031	10,969
Sanitation & health:				
Sanitation	32,000	32,000	29,521	2,479
Health & welfare	4,500	4,500	423	4,077
Total sanitation & health	36,500	36,500	29,944	6,556
Parks & recreation:				
Parks and open spaces	17,650	17,650	8,902	8,748
Capital outlay	10,000	10,000	5,636	4,364
Total parks & recreation	27,650	27,650	14,538	13,112
Debt service	5,300	5,300	5,284	16
Transfers to other funds	-	-	-	-
TOTAL EXPENDITURES	113,850	113,850	76,882	36,968
Net change in fund balance	15,150	15,150	52,108	36,958
Fund Balance at beginning of year	148,006	148,006	148,006	-
Fund Balance at end of year	\$ 163,156	\$ 163,156	\$ 200,114	\$ 36,958

See accompanying notes and accountant's report.

TOWN OF AMALGA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005
(with comparative amounts for June 30, 2004)

	<u>2005</u> <u>WATER</u> <u>UTILITIES</u>	<u>2004</u> <u>WATER</u> <u>UTILITIES</u>
ASSETS		
Current assets:		
Cash	\$ 96,400	\$ 105,738
Accounts receivable	69,621	67,348
Prepaid expenses	2,769	2,588
Restricted cash	<u>62,337</u>	<u>52,367</u>
Total current assets	<u>231,127</u>	<u>228,041</u>
Capital assets:		
Land	5,000	5,000
Improvements other than buildings	1,945,248	1,893,160
Construction in progress	-	20,715
Less Accumulated depreciation	<u>(406,795)</u>	<u>(363,587)</u>
Total capital assets	<u>1,543,453</u>	<u>1,555,288</u>
TOTAL ASSETS	<u>1,774,580</u>	<u>1,783,329</u>
LIABILITIES		
Current liabilities:		
Accounts payable	15	2,503
Interest payable	<u>693</u>	<u>761</u>
Total current liabilities	<u>708</u>	<u>3,264</u>
Long-term liabilities:		
Bonds payable - due within a year	43,259	28,147
Bonds - due in more than one year	<u>931,323</u>	<u>974,575</u>
Total long -term liabilities	<u>974,582</u>	<u>1,002,722</u>
Total liabilities	<u>975,290</u>	<u>1,005,986</u>
NET ASSETS		
Invested in capital assets, net of related debt:		
Restricted	568,871	552,566
Unrestricted	<u>62,337</u>	<u>52,367</u>
Total net assets	<u>\$ 799,290</u>	<u>\$ 777,343</u>

See accompanying notes and accountant's report.

**TOWN OF AMALGA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS**

**JUNE 30, 2005
(with comparative amounts for June 30, 2004)**

	2005 WATER UTILITIES	2004 WATER UTILITIES
OPERATING REVENUES:		
Charges for services	\$ 95,420	\$ 89,811
Other operating revenues	-	300
	<u>95,420</u>	<u>90,111</u>
Total operating revenues		
OPERATING EXPENSES		
Salary and wages	2,864	917
Other operating expenses	12,901	12,644
Supplies	13,522	20,963
Depreciation	43,208	39,115
	<u>72,495</u>	<u>73,639</u>
Total operating expenses		
Operating income	<u>22,925</u>	<u>16,472</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	473	290
Interest charges	(1,451)	(1,567)
	<u>(978)</u>	<u>(1,277)</u>
Total non-operating revenue (expense)		
Change in net assets	21,947	15,195
Total net assets - beginning	<u>777,343</u>	<u>762,148</u>
Total net assets -ending	<u>\$ 799,290</u>	<u>\$ 777,343</u>

See accompanying notes and accountant's report.

TOWN OF AMALGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005
(with comparative amounts for June 30, 2004)

	2005 WATER UTILITIES	2004 WATER UTILITIES
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 93,147	\$ 84,598
Payments to suppliers	(29,160)	(35,229)
Payments to employees	(2,864)	(917)
Net cash provided (used) by operating activities	<u>61,123</u>	<u>48,452</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on capital debt	(28,140)	(27,047)
Interest paid on capital debt	(1,451)	(1,567)
Purchase of system improvements	(31,373)	(47,615)
Net cash provided (used) by capital and related financing activities	<u>(60,964)</u>	<u>(76,229)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	473	290
Net decrease in cash and cash equivalents	632	(27,487)
Cash and equivalents at beginning of year	158,105	185,592
Cash and equivalents at end of year	<u>\$ 158,737</u>	<u>\$ 158,105</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 22,925	\$ 16,472
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	43,208	39,115
Changes in assets & liabilities:		
Decrease (increase) in receivables	(2,273)	(5,513)
Decrease (increase) in prepaid expenses	(181)	(100)
Increase (decrease) in accruals	(2,556)	(1,522)
Total adjustments	<u>38,198</u>	<u>31,980</u>
Net cash provided (used) by operating activities:	<u>\$ 61,123</u>	<u>\$ 48,452</u>

See accompanying notes and accountant's report.

TOWN OF AMALGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund accounts for resources set aside to build specified capital projects.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of

three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water system improvements	50 years
Buildings and improvements	10-40 years
Machinery and equipment	5-10 years
Roads and infrastructure	40 years

Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30.

Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items and bonds:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. Bonds are reported as other financing sources when issued and expenses when paid. However, the statement of net assets includes those capital assets and bonds among the assets and liabilities of the Town as a whole.

Cost of capital assets	\$ 598,655
Accumulated depreciation	(342,855)
Bonds payable	<u>(26,657)</u>
Total difference	<u>\$ 229,143</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. Bond principal is reported in the governmental funds as an expense while the government-wide statements reduce the bond liability.

While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 5,636
Depreciation expense	(18,789)
Bond principal	<u>3,769</u>
Net difference as reported	<u>\$ (9,384)</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash and investments

The Town meets the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of Town funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of, and adhering to, the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Town and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. All cash and investment accounts are insured, registered, or held by the Town or its agent in the Town's name.

Cash accounts are deposited in a single financial institution with \$100,000 insured by the FDIC and \$13,971 uninsured. The balances at June 30, 2005 as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Cash:			
Wells Fargo	\$ 112,799	\$ 113,971	Pool

Amounts are invested with the State Treasurer's Pool as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Rate</u>	<u>Fund</u>
Investments:			
State treasurer's pool	\$ 19,587	Various	Water
State treasurer's pool	142	Various	Pool
State treasurer's pool	112	Various	Pool
State treasurer's pool	381,632	Various	Pool

The interest rate paid on the investments during the 2004-2005 fiscal year varied from 1.7032 % to 3.1816%. The "pool" is a convenient deposit-type investment administered by the State Treasurer's office and offers daily liquidity. Pool deposits are invested mainly in short term investment securities, including time certificates of deposit and treasury bills, all of which comply with the Money Management Act.

Note 4: Accounts receivable/taxes receivable

Amounts due to the Town at year end are as follows:

General:

Garbage and 911 fees	\$ 19,112
Other	707
County - property taxes	15,878
Sales tax	2,738
Class C	<u>5,927</u>

Total general	44,362
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Water:

Services	<u>69,621</u>
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Total accounts/taxes receivable	<u><u>\$113,983</u></u>
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Note 5: Restricted assets

The total restricted assets on the balance sheet are comprised of the following cash, cash equivalents, investments and receivables:

General fund:	
Cash - Class C	\$ 96,875
Accounts receivable - Class C	<u>5,927</u>
Total general fund	<u>102,802</u>
Capital projects fund:	
Cash	<u>181,824</u>
Water fund:	
Cash trustee	19,587
Cash revenue bond sinking/reserve	<u>42,750</u>
Total water fund	<u>62,337</u>
Total restricted assets	<u>\$346,963</u>

Note 6: Accounts payable

Accounts payable consist of amounts incurred and due at June 30, 2005 but which have not been paid as follows:

General:	
Accounts	\$ 5,247
Payroll and payroll taxes	<u>481</u>
Total general	<u>5,728</u>
Water:	
Accounts	15
Interest	<u>693</u>
Total water	<u>708</u>
Total accounts payable	<u>\$ 6,436</u>

Note 7: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2005 are as follows:

	Balance July 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2005</u>
Land	\$ 51,126	\$ —	\$ —	\$ 51,126
Buildings and improvements	163,333	2,377	—	165,710
Equipment	57,384	3,259	—	60,643
Infrastructure	<u>321,176</u>	<u>—</u>	<u>—</u>	<u>321,176</u>
Total assets	<u>593,019</u>	<u>5,636</u>	<u>—</u>	<u>598,655</u>
Accumulated depreciation	<u>(324,066)</u>	<u>(18,789)</u>	<u>—</u>	<u>(342,855)</u>
Total fixed assets	<u>\$ 268,953</u>	<u>\$(13,153)</u>	<u>\$ —</u>	<u>\$ 255,800</u>

Depreciation has been charged to the departments as follows:

General government	\$ 1,694
Highways & public improvements	8,029
Parks, recreation & public property	<u>9,066</u>
	<u>\$ 18,789</u>

Note 8: Water users and rates

Amalga water utility fund services both residential and commercial users. As of June 30, 2005, the Town provided service to the following residential users and commercial users.

Residential	151
Commercial/industrial	<u>4</u>
Total water users	<u>155</u>

Water and garbage rates effective at June 30, 2005 are as follows:

Water rates:

Standard monthly services	\$10.00
Excess over 20,000 gallons	\$.45 per 1,000 gallons
Industrial rate	\$.50 per 1,000 gallons (no base)

Garbage rates:

Standard monthly services	\$12.25	90 gallon container
Standard monthly services	\$ 7.15	60 gallon container
Commercial monthly services-	monthly rates varies depending on size of container	

Note 9: Changes in long-term debt

The following is a summary of long-term debt transactions of the Town's general and proprietary fund types for the year ended June 30, 2005:

Bonds payable at July 1, 2004	\$1,033,148
Less: payment of principal	<u>(31,909)</u>
Bonds payable at June 30, 2005	<u>\$1,001,239</u>

Bonds payable at June 30, 2005, are comprised of the following individual issues:

Water:

Water revenue bonds due to the FHA in semi annual payments of \$1,830 including interest at 5% per annum. The principal and interest will be completely retired in 2015.	\$ 28,582
\$1,090,000 water revenue bonds due to the Utah Division of Water Resources in varying annual payments including interest at 0% per annum. The principal and interest will be completely retired on January 1, 2024.	<u>946,000</u>
Total water fund bonds payable	<u>\$ 974,582</u>

General:

General obligation bonds due to FHA in annual installments of \$5,284 including interest at 5%. The principal and interest will be completely retired on December 1, 2010.

\$ 26,657

Total bonds payable

\$1,001,239

The following is a summary of bond principal maturities and interest requirements:

<u>Year ending June 30</u>	<u>Total outstanding</u>
2006	\$ 49,944
2007	50,944
2008	52,434
2009	52,944
2010	53,944
2011 - 2015	263,409
2016 - 2020	260,000
2021 - 2025	<u>231,000</u>
Total	1,014,619
Less Interest	<u>(13,380)</u>
Outstanding Principal	<u>\$1,001,239</u>

Note 10: Reserved fund equity

The amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are compromised of the following:

General fund:

Reserved - roads \$ 102,802

Water fund (retained earnings):

Reserved - sinking/reserve and trustee \$ 62,337

Capital projects fund:

Reserved - capital projects \$ 181,824

Note 11: Insurance and bond coverage

The Town is exposed to various risk of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries insurance through the Utah Local Government Insurance Trust. Workers compensation is carried by the Workers Compensation Fund of Utah. A fidelity bond is provided to the town treasurer through a private carrier. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 12: Segment information

The following information is presented for the water utility fund of Amalga Town:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Water fund:</u>				
Fixed Assets	\$ 1,918,875	\$ 31,373	\$	\$ 1,950,248
Accumulated Depreciation	363,587	43,208		406,795

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current Assets:	
Cash	\$ 96,400
Receivables	69,621
Less Current Liabilities:	
Accounts payable	(708)
Current portion of long-term debt	<u>(43,259)</u>
Net Working Capital	<u>\$ 122,054</u>

SUPPLEMENTAL SECTION



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

December 19, 2005

Honorable Mayor and Town Council
Town of Amalga
Amalga, Utah

Dear Mayor Wood:

In planning and performing our review of the financial statements of Amalga, Utah (the Town) for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our review of the Town's financial statements for the year ended June 30, 2005, and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDING

Finding: *Interest allocation.* No interest income was allocated to the Class C road fund cash accounts during the year.

Recommendations: Establish a method for allocating interest income to funds and post interest earnings on a monthly basis.

Management response: The Town will allocate interest on Class C road fund cash accounts on a regular basis.

Status: Interest is being allocated on Class C road fund cash accounts.

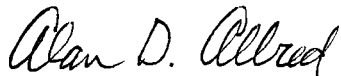
CURRENT YEAR FINDING

No findings noted in the current year.

In conclusion, we wish to recognize all town personnel and administrators for their excellent service provided to the Town of Amalga. We would especially like to recognize Morris Hansen, who has been most cooperative in assisting us in accomplishing the engagement for the 2004-2005 fiscal year. The performance of the Town of Amalga annual report has been an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred". The signature is written in dark ink and is positioned below the printed name.

Alan D. Allred, CPA